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FISCAL IMPACT STATEMENT

LS 6903

BILL NUMBER: SB 504

NOTE PREPARED: Dec 26, 2008

BILL AMENDED:

SUBJECT: Next Generation Trust.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill delays the scheduled transfers of interest from the Next Generation Trust Fund to the Major Moves Construction Fund for 30 years.

Effective Date: July 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues: The bill could result in more interest being generated within the Next Generation Trust Fund (NGTF). However, highway construction plans have been made using money in the Major Moves Construction Fund (MMCF) to pay costs. If the funds are not transferred from the NGTF, these projects may have to be deferred if other sources of funding cannot be identified.

Background- The NGTF and the MMCF were established with the proceeds from the lease of the Indiana Toll Road.

The NGTF is a charitable trust, separate from the state, but for the benevolent public purpose of being used exclusively for the provision of highways, roads, and bridges for the benefit of the people of Indiana and the users of those facilities. The NGTF was established with a \$500 M principle in FY 2007 and, under current law, pays out its interest to the MMCF every five years beginning on March 15, 2011. The principle may never be diminished.

The MMCF funds projects, other than passenger or freight railroad systems, other projects in the INDOT's

transportation plan, and makes statutory distributions.

Illustration of the Compounded Interest Earned: Assuming annual interest earnings of 2% compounded annually, each five years the NGTF would transfer \$52.0 M to the MMCF. Beginning in 2011 and ending in 2041, under current statute there would be seven transfers from the NGTF to the MMCF for a total of \$364 M. If instead the money is retained within the NGTF until 2041, the resulting interest would be \$505 M.

(This example does not include any expenditures from the NGTF for account management.)

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources:

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